

Resolution No. 3317-02-2006

APPROVING THE CITY OF FORT WORTH POLICY GUIDELINES AND PROCEDURES FOR TAX INCREMENT REINVESTMENT ZONES (TIFs)

WHEREAS, Tax Increment Financing (TIF) is an important tool and resource for improving the community by funding public improvements and fostering development and redevelopment projects which the City finds and determines are desirable and in the public interest; and,

WHEREAS, the CITY OF FORT WORTH finds it in the best interest of the public to establish certain policies and guidelines for the establishment of Tax Increment Reinvestment Zones and for the consideration of proposals that may be presented to the CITY by private developers requesting TIF assistance; and,

WHEREAS, the CITY desires to use TIF for those projects which demonstrate the highest public benefit by eliminating blight, financing desirable public improvements, strengthening the employment and economic base, increasing property values, creating economic stability, and implementing the Comprehensive Plan, Redevelopment Plans and economic development strategy of the City; and,

WHEREAS, by adopting this policy the CITY intends to set forth a flexible framework for evaluating private applications for TIF assistance; and,

WHEREAS, all applications for the establishment of a TIF or for TIF assistance submitted to the CITY will be evaluated on their own merits, and an evaluation of the proposals will be performed by City Staff and if appropriate forwarded to the City Council with recommendations;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FORT WORTH, TEXAS THAT: the Policy, Guidelines and Procedures for Tax Increment Reinvestment Zones (TIFs) is hereby adopted as fully set out on the attached documents.

AND IT IS SO RESOLVED.

ADOPTED this 28th day of February 2006.

ATTEST:

APPROVED
CITY COUNCIL

FEB 28 2006

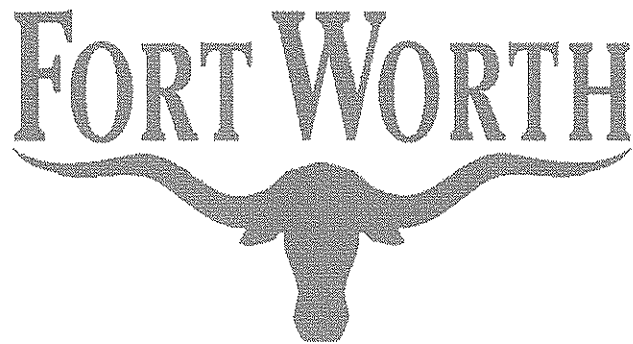
Maureen Hendrix
City Secretary of the
City of Fort Worth, Texas

By: *Sylvia Glover*

Asst. City Secretary



CITY OF FORT WORTH



Policy, Guidelines and Procedures
for
Tax Increment Reinvestment Zones (TIFs)

February 2006

City of Fort Worth
Economic and Community Development Department

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GENERAL GUIDELINES

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GENERAL GUIDELINES:

- a) *Each TIF application must demonstrate that:*
 - i. *“but for” the creation of a TIF, quality development is not likely to occur in the proposed area without financial assistance from a TIF; and/or*
 - ii. *an area is ripe for development or redevelopment provided that public infrastructure is constructed to support the revitalization of the area; and/or*
 - iii. *use of a TIF is the appropriate incentive tool to recruit or relocate a catalyst project worthy of public investment; AND*
 - iv. *the area proposed for designation as a TIF will have an increase in real property taxable value within the first 2 years following designation.*
- b) *The term of any TIF cannot exceed 21 years (20 years of tax increment contributions);*
- c) *City of Fort Worth participation in any TIF will be limited to ad valorem real property taxes, and preference will be given to participation at a rate less than 100% of the tax increment;*
- d) *The City of Fort Worth Economic and Community Development Department will receive and evaluate all TIF requests/applications;*
- e) *The City of Fort Worth Economic and Community Development Department will be responsible for all TIF administration unless otherwise approved by the City Council in the Preliminary Project and Finance Plans.*

SECTION I. OVERVIEW, REQUIREMENTS AND CRITERIA

- A. Local Authority.** The City of Fort Worth adopted these guidelines by Resolution No. _____ on _____. This Policy is intended to provide direction to City staff and interested parties regarding the development and establishment of TIFs within the City of Fort Worth.
- B. Statutory Authority.** Under authority of Chapter 311 of the Texas Tax Code, municipalities are permitted to establish TIFs. The City of Fort Worth will comply with all requirements of the Chapter 311 of the Texas Tax Code.
- C. TIF Goals and Objectives of City.** It is the City's goal to utilize TIFs as an economic development tool in the development or redevelopment of targeted areas. The City of Fort Worth may use TIFs to finance needed public improvements and enhance infrastructure within those targeted areas. It is the intention of the City to use TIF for the primary purpose of encouraging Central City revitalization and those other target areas identified by the City Council by leveraging private investment for certain types of development activities that support the goals outlined in the City of Fort Worth's Comprehensive Plan.
- D. M/WBE Goals.** In satisfaction of the requirements set forth in Section 311.0101 of the Texas Tax Code, before initiating work on any phase of the public improvements the following M/WBE goals and commitments must be met:

- a) Any project costs for improvements that will ultimately be owned by the public and contemplated under a TIF's project plan will require the City's Minority/Women Business Enterprise Office to set goals for utilization of certified minority-owned and women-owned business enterprises (M/WBEs) in accordance with the same process followed for City public works contracts.
- b) Any project costs for improvements that will ultimately be owned by a private entity and contemplated under a TIF's project plan will require a commitment for utilization of Fort Worth certified M/WBEs of at least 25% of the total construction costs of a given project. The commitment must be outlined in the Economic Development Agreement or TIF Development Agreement specifying the terms under which construction of the public improvements receiving assistance from a TIF are delineated. Any commitment below 25% will require a developer to meet with the City of Fort Worth's M/WBE Advisory Committee prior to action by the applicable TIF Board of Directors to seek their input and assistance. The M/WBE Advisory Committee will provide the applicable TIF Board of Directors with a recommendation related to the utilization of Fort Worth certified M/WBEs. The M/WBE Advisory Committee's recommendation if different from the commitment made by developer will be non-binding, but should be taken under advisement by the applicable TIF Board.

E. Determining Eligibility. City staff will undertake an economic analysis and risk assessment of each proposed TIF before arriving at a recommendation to the City Council as to whether the TIF should be created. The analysis, assessment and recommendation of all requested TIFs will be based on the applicant's ability to address satisfactorily the following questions:

- a) What is the public purpose of the proposed TIF? (Will the area develop without being designated as a TIF? What are the required public improvements?)
- b) What is the financial need for public investments and/or subsidy? (Will use of TIF recruit or relocate a catalyst project?)
- c) How will the City's general fund be impacted as a result of TIF designation?
- d) What is the potential for success of the TIF?
- e) What is the appropriate level of participation by the City and other taxing entities?
- f) What are the risks associated with creation of the TIF?
- g) What alternative economic development tools are available in lieu of a TIF? How does the proposed Financing Plan meet the needs of the proposed projects?
- h) How will the TIF impact targeted public projects and improvements that are not proposed as projects in the TIF?

F. TIF Tax Increment. Once a Reinvestment Zone has been established in accordance with Chapter 311 and these guidelines, incremental real property taxes resulting from new construction, public improvements, and redevelopment efforts will accrue to the various taxing entities. Participating taxing entities may deposit all, a predetermined portion, or none of the incremental taxes in a designated TIF fund for the purpose of financing the planning, design, construction or acquisition of public improvements in the TIF. The City of Fort Worth may elect to contribute less than 100% of incremental real property taxes to the TIF. In no event will the City contribute any incremental sales taxes to the TIF.

G. Use of TIF Proceeds. TIF funds may be used only to pay for those public works and public improvements authorized by Chapter 311 of the Texas Tax Code. TIF proceeds cannot be used to support exclusively private purposes.

H. Demonstration of Community Revitalization Impact. It is the intention of the City of Fort Worth to use TIFs for the purpose of supporting community revitalization and redevelopment projects in targeted areas. As part of the application a requestor must describe:

- a) How the planned investment will contribute to revitalization activities in the zone in question and/or the surrounding area of the community; and
- b) How the input of nearby neighborhood residents and businesses has been solicited in the planning process.

I. Participation by Other Taxing Entities. Under Section 311.013 of the Texas Tax Code, other local taxing entities retain the right to determine the amount of the tax increment that each will retain, OR each may decide to retain all of the tax increment. The City of Fort Worth will enter into written agreements with all participating taxing entities to specify: (i) the conditions for payment of the tax increment into a TIF, (ii) the portion of tax increment to be contributed by each entity to the TIF, and (iii) the term of the agreement.

J. Term of Reinvestment Zone. As prescribed under Section 311.017 of the Texas Tax Code, reinvestment zones shall terminate on the *earlier* of:

- 1) the termination date designated in the ordinance(s) creating and/or amending the zone; or
- 2) the date on which all TIF project costs and interest have been paid in full.

In addition, in accordance with this Policy, the duration of a TIF may not exceed 21 years from the date of its creation (i.e. a maximum of 20 years of tax increment contributions).

K. Criteria for TIF District Creation Requests

In addition to the items outlined in "E" above, before reviewing an application for the creation of a TIF, the City will require that the requestors, as part of the application, provide the following:

- a) A summary that includes a general description of the proposed TIF, including proposed boundaries, an overview of the proposed projects and proposed levels of participation by each taxing entity. This summary should not be more than one page in length.
- b) A legal description (metes & bounds) and a map of the real property proposed for designation as a TIF.
- c) An economic impact study, as prescribed in Section 311.003 of the Texas Tax Code.
- d) A minimum of four years of tax value information from the appropriate tax appraisal district for all properties in the proposed TIF.
- e) A proposed Project Plan as described in Sections 311.003 and 311.011 of the Texas Tax Code, with detailed descriptions of the projects and their costs, including detailed pro formas, if available.
- f) A proposed Financing Plan as described in Sections 311.003 and 311.011 of the Texas Tax Code, with complete tax increment projections for the entire term of the TIF.

All information must be provided in both paper and electronic form. A minimum of 5-copies of the information must be provided.

L. Criteria for TIF Project Requests

Once a TIF has been established, in order for the City staff to recommend funding of a particular project by the TIF, the party desiring TIF financing must provide the following:

- a) Information satisfactorily demonstrating the financial wherewithal to meet project costs and complete the project (i.e. financial statement, complete sources and uses budget, or Letter of Credit from an appropriate financial institution).
- b) A complete and detailed market feasibility study.
- c) A completed and detailed cost benefit analysis. The direct and indirect benefits of a development proposal shall be determined and quantified by City staff (e.g. employment benefits - number of jobs retained or created, percentage of jobs etc., tax base benefits - estimated market value of new development, new property taxes generated, etc., housing benefits - number of new rental or ownership benefits related to the project, transportation benefits, parking impacts, blight remediation, environmental cleanup and historic preservation).
- d) A demonstrable gap in financing for the project (e.g. the profitability and feasibility of the project both with and without public assistance, including a detailed delineation of the developer equity contribution into the project and the overall proposed financial structure of the project).
- e) Proposed security, collateralization, or credit enhancement.
- f) Demonstrated commitment to the quality of development, the project area and project completion.

SECTION II. APPLICATION PROCESS AND FEES

APPLICATION PROCESS:

Depending on the exact nature and complexity of a proposed TIF, the estimated timeframe to complete the process for designation is at least six (6) months. Therefore, applications for the creation of a TIF must be submitted to the City by June 30 in order for the TIF to be established in the same calendar year. Applications submitted to the City after June 30 will not be considered for designation until the following calendar year. In addition, requestors must submit at least five (5) copies of the application.

All Applications for creation of a proposed TIF and applicable fee(s) should be delivered to the:
Economic and Community Development Department

TIF Administrator
1000 Throckmorton
Fort Worth, TX 76102
817-392-6103

A. Application Form. Requestors desiring the City to create a proposed TIF must fully complete an "Application for Designation of Tax Increment Reinvestment Zone", provide all information by this Policy and submit the required application fee, as set forth in Subsection C below.

B. Pre-Application Review Process. A requestor may request a meeting with appropriate City staff prior to submitting an application in order to address TIF requirements and development processes. The meeting can be scheduled through the Economic and Community Development Department.

- C. Application Fee.** Non-refundable application fees of \$1500 must accompany all applications. The application fee should be in the form of a check or money order and made payable to the "City of Fort Worth". The application fee is to support administration costs of initial review for completeness, internal processes and presentations.
- D. Preliminary Review.** City staff will review the application within 10 working days to ensure compliance with these Guidelines. If City staff determines that an application does not meet the criteria hereunder, the requestor will be so notified and the application fee will NOT be refunded, and no further action on the application will occur. The requestor will have 14 working days to supply any information that is lacking without having to resubmit a new application.
- E. Application Review.** If City staff determines that an application meets these Guidelines, a full financial and programmatic review of the proposed project will occur. This review may be conducted by City staff, an outside agency, or consultant and includes, at a minimum an analysis of said items under Section I, paragraphs E, G, H, K and L. This review could culminate into an entirely different Financing Plan than initially proposed in the application or could result in a City staff recommendation that a TIF zone is not appropriate.
- F. Open Records Act.** Upon submission of an application, all project information provided to or developed by the City could become "public information," and therefore, may be subject to provisions of the Texas Open Records Act.

SECTION III. STATUTORY CRITERIA FOR DESIGNATION OF A TIF

In accordance with Section 311.005 of the Texas Tax Code, to be designated as a TIF, an area must:

- A. Substantially arrest or impair the sound growth of the municipality creating the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of:
- 1) a substantial number of substandard, slum, deteriorated, or deteriorating structures;
 - 2) the predominance of defective or inadequate sidewalk and street layout;
 - 3) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
 - 4) unsanitary or unsafe conditions;
 - 5) the deterioration of site or other improvements;
 - 6) tax of special assessment delinquency exceeding the fair value of the land;
 - 7) defective or unusual conditions of title;
 - 8) conditions that endanger life or property by fire or other causes; or
 - 9) structures, other than single-family residential structures, less than 10 percent of the square footage of which has been used for commercial, industrial or residential purposes during the preceding 12 years; OR
- B. Be predominantly open and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality; OR

City of Fort Worth, Texas

Mayor and Council Communication

COUNCIL ACTION: Approved on 2/28/2006 - Resolution No. 3317-02-2006

DATE: Tuesday, February 28, 2006

LOG NAME: 17TIFPOLICY

REFERENCE NO.: G-15100

SUBJECT:

Adoption of Resolution Establishing the City of Fort Worth Policy, Guidelines, and Procedures for Tax Increment Reinvestment Zones

RECOMMENDATION:

It is recommended that the City Council adopt the attached Resolution and Policy establishing Policy, Guidelines, and Procedures for Tax Increment Reinvestment Zones (TIFs).

DISCUSSION:

On November 1, 2005, staff presented proposed policies and guidelines to be applied on all requests to establish tax increment reinvestment zones (the TIF Policy) to the Central City Revitalization and Economic Development Committee. At the CCRED Committee meeting on February 7, 2006, a completed draft of the TIF Policy, which incorporated input provided by the Committee at the November 1st briefing, was provided for review.

Policy Summary

The proposed TIF Policy establishes general guidelines to be used in determining whether or not the creation of a TIF should be considered.

- Without a TIF will quality development likely occur in the proposed area?; and/or
 - Is the area ripe for development or redevelopment provided that public infrastructure can be constructed to support the revitalization of the area?; and/or
 - Is a TIF the appropriate incentive tool to recruit or relocate a catalyst project worthy of public investment?
- AND
- Will property in the proposed TIF have an increase in taxable value within the first 2 years of creation?

More specifically, proposed uses of tax increment financing will be subject to an economic analysis and risk assessment. Staff will evaluate each proposed request for the creation of a TIF on a case-by case basis and consider the possible impacts. The analysis, assessment and recommendation of all requested TIFs will be based on the application's ability to address the following questions: What is the public purpose of the proposed TIF? What is the financial need for public investments and/or subsidy? What is the total cost of the creation of TIF to the general fund of the City? What is the potential for success of the TIF if created? What is the appropriate level of City participation, if appropriate? What are the risks associated with creation of the TIF? What are the alternative economic development tools available in lieu of TIF? How does the proposed project finance plan meet the needs of the proposed projects? How does the creation of a TIF impact on other publicly financed projects or other required public improvements not proposed as projects in the TIF?

Additionally, all TIFs will be limited to a term not to exceed 21 years and will be limited to participation by the City through the use of ad valorem taxes (Sales taxes will not be included as TIF increment). Preference will be given to participation at a rate less than 100% of the City tax increment. The Economic and Community Development Department will receive and evaluate all TIF requests/applications and will be

responsible for all TIF administration unless otherwise approved by the City Council in a given TIF's Preliminary Project and Financing Plans.

FISCAL INFORMATION/CERTIFICATION:

The Finance Director certifies that this action will have no material effect on City funds.

<u>TO Fund/Account/Centers</u>	<u>FROM Fund/Account/Centers</u>
<u>Submitted for City Manager's Office by:</u>	Dale Fisseler (6140)
<u>Originating Department Head:</u>	Tom Higgins (6192)
<u>Additional Information Contact:</u>	Jay Chapa (5804)
	Ardina Washington (8003)